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UNFPA INTERNAL AUDIT AND OVERSIGHT ACTIVITIES IN 2001*

Report of the Executive Director

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* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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1. This report is submitted in response to a request made by the Executive Board at its second regular session 1996. It provides the Board with a summary of the internal audit and oversight activities of UNFPA in 2001, outlining the key issues in the findings of internal audits and in the oversight activities of the UNFPA Office of Oversight and Evaluation (OOE).

I. ORGANIZATION AND RESOURCES

2. Under the provisions of UNFPA Financial Rule 114.18, the Executive Director has arranged with the Administrator of UNDP for the internal audit services of the Fund to be provided by the UNDP Office of Audit and Performance Review (OAPR) on a reimbursable basis. Such reimbursement is effected as part of the UNFPA annual subvention to UNDP.

3. The UNFPA Audit Section was established in May 1993. It operates under the direction of the Director, OAPR. Authorized posts in the section consist of a Chief, three Audit Specialists and two support staff. The three Audit Specialist posts vacant at the beginning of 2001 were filled, respectively, in March, June and October 2001. Internal audit services are also provided through annual contracted audits in Asia and the Pacific and Arab States regions that are supervised by the OAPR Regional Audit Service Centre (RASC) in Malaysia, which receives UNFPA support for financing an individual to assist in the review of UNFPA reports prepared by the contractor. In addition, UNFPA resources provide for assignment with limited duration (ALD) contracts that are managed by RASCs in Zimbabwe and Panama to perform audits of UNFPA country offices in those regions. In addition to contracted audits and ALD resources, the Section uses individual consultants and firms to expand its audit coverage.

4. The budget for the UNFPA audit function in 2001 was $1,273,700. Of this total, $520,400 was for the audit services provided by the three RASCs. The balance of $753,300 financed the staff and audit activities of the UNFPA Internal Audit Section.

5. The UNFPA Office of Oversight and Evaluation, which reports to the Executive Director, is staffed with a Chief, a Deputy Chief, two Evaluation Officers and an audit focal point. These posts are funded through the biennial support budget.

II. INTERNAL AUDIT AND REVIEW ACTIVITIES

6. The internal audit and review activities carried out during 2001 include the following:

(a) Management audits in four offices and one division at headquarters conducted by the UNFPA Internal Audit Section with the assistance of a consultant;

(b) One special audit/investigation carried out by a public accounting firm for the UNFPA Internal Audit Section;

(c) Review of 503 audit reports for projects executed by the government and non-governmental organizations (NGOs) carried out by the UNFPA Internal Audit Section with the assistance of consultants;

(d) Management audits in seven offices in the Africa region undertaken by the RASC in Zimbabwe;

(e) Contracted audits in seven offices in the Asia and the Pacific region and four offices in the Arab States and Europe region;

(f) Management audits in three offices in the Latin America and the Caribbean region undertaken by the RASC in Panama.

7. The annual audit plan was developed in close consultation with OOE. To derive optimal benefit from the limited staff resources, the work plans of the Audit Section and the OOE were coordinated to the extent feasible. These plans were revised periodically to accommodate special requests from management, and to reflect changing circumstances, particularly in the field. In 2001, OOE undertook one on-site review of follow-up to audit recommendations.

8. Continuous staff development is important to meet current professional challenges. In this respect, the Section staff received training on operational auditing. Also, one staff member received training on fundamentals of finance and accounting. Following a proactive approach, the Section provided advisory services to UNFPA units. Some services were solicited by the units while others were initiated by the Section following management audits. For example, the Section offered advice on audit requirements for nationally executed projects and shared the experience of UNDP in this area.

III. PRINCIPAL AUDIT FINDINGS AND FOLLOW-UP ACTIONS TAKEN

9. Out of 30 reports issued in 2001 (including 13 reports of 2000 audits), the level of internal controls and the compliance with financial and administrative requirements were found to be satisfactory in 10 cases out of 30. Fifteen cases were rated marginally deficient, 3 cases were deficient and 2 cases were seriously deficient. A total of 865 recommendations were issued during the year, broken down as follows:

Area	No. of recommendations
Organization and staffing	29
Programme matters	327
Financial operations	104
Personnel administration	132

General administration		206
Office automation		67
	Total	865

Summary of key issues

10. The following is a summary of key issues, classified by subject, raised by the auditors and contractors. It should be emphasized that the observations apply only to some and not to all the audited units. Audit findings are closely reviewed by UNFPA at the most senior level. Follow-up actions are undertaken by the concerned parties and monitored by the respective divisions and OOE. A number of issues appear repeatedly in the annual reports of the Executive Director on internal audit activities; however, it should be clarified in this regard that since different countries are covered each year, such repetitions do not necessarily indicate that corrective actions were not taken. The number and nature of weaknesses identified can partly be explained by the shortage of staffing resources in offices to implement internal controls.

Advances to office and project staff

11. Audits revealed that in 11 out of 30 cases advances to office and project staff were not adequately monitored. In some cases, advances were made to individuals and the supporting documentation was not adequate. In other cases, advances had not been accounted for. UNFPA Financial Rule 114.5 stipulates that cash advances should be made only on an exceptional basis and duly authorized. In addition, Rule 114.6 underscores the need for proper management of and accounting for advances made. However, the audits find that monitoring of advances is weak in several offices. UNFPA offices will be reminded in a circular of the exceptional use of cash advances and to keep a record of advances as well as to follow-up to ensure that they are accounted for. This will be validated by subsequent audits, as well as by headquarters staff on monitoring visits to the field.

Closure of operationally completed projects

12. Seventeen out of 30 audit reports issued in 2001 indicated that projects operationally completed had not been financially closed within 12 months after activities had been completed. Delays in meeting the requirements were due to the late response from the executing agencies, discrepancies between the office and headquarters records and lack of follow-up by some offices. Meanwhile, it is worth noting that in several offices efforts have been made to financially close projects.

13. UNFPA recruited an electronic data processing (EDP) consultant to streamline data processing systems to achieve more efficient and timely closing procedures. In addition,

UNFPA undertook a review of over 1,700 inactive projects dating from 1999 and before, and advice was sought from country offices as to the status of each project. In most instances, operationally completed projects of previous country programmes will be closed by writing off unreconciled amounts. Where projects are confirmed to be operationally and financially closed, they will be removed from the Fund's systems and archived. In 2001, 906 out of 1702 projects reviewed were authorized for closing. The rest will be closed in 2002.

14. UNFPA will undertake a review to determine why past delays have occurred. As necessary, procedures will be revised to ensure that this problem does not recur.

Organization and staffing

15. In 12 out of 30 cases, staffing levels were found to be inadequate, mostly due to delays in recruitment. Also, in several cases National Professional Project Personnel (NPPP) were assigned to the country office and carried out core functions.

16. The guidelines on NPPP limit their functions to the management of UNFPA-funded projects or subprogrammes. Since NPPP may be in charge of several projects executed by more than one executing agency, it was found more practical for them to work within the UNFPA premises. Due to the small staff in many country offices, it had not always been possible to maintain a clear distinction between the functions of core staff and NPPP. UNFPA is currently undertaking a comprehensive review of the staffing and resource requirements of country offices, including NPPP requirements. In this context, the UNFPA transition team has developed a typology of country offices and standard job descriptions for each type of country office. Application of the typology and job descriptions will be factored into the revised support budget to be presented to the Executive Board at the second regular session 2002.

Programme

17. In 4 out of 30 audits, programme delivery was reported to be weak. Also, in 9 cases, project funds were used to recruit personnel and to purchase equipment used for core office operations. In addition, there were 9 cases where project activities had started prior to the signature of the project document and/or the letter of understanding. Further, in 8 cases, project documents and/or letters of understanding were incomplete, as they did not include provision for monitoring, evaluation and auditing requirements.

18. In 2 cases, expenditure was incurred prior to the approval of the project. Four reports indicated that allocations had been exceeded on some projects. Lack of monitoring of project activities was found in 11 reports. In 5 reports, executing agencies were also found to lack the capacity to execute projects, and in one headquarters division, UNFPA execution of projects was high and did not meet the requirements of the Finance Manual. In addition, 8 reports identified

that the offices had not reconciled the difference between the balance of the operating fund accounts (OFA) in the field and at headquarters.

19. It should be noted that the country offices generally make an immediate effort to reconcile the OFA balances. However, the computer systems in the country offices and at headquarters operated independently without automatic linkage. Thus, the reconciliation process had been cumbersome and inefficient, and delays occurred. A new computer system with online access from the country offices will ultimately solve this problem. In the meantime, the Finance Branch has initiated an effort to streamline the interactions of the data processing systems. The Management Information Systems (MIS) Branch also scheduled training opportunities for the country offices to strengthen staff capacity with data systems.

20. In one audit, it was found that an amount of $61,000, which had been misappropriated by the Administrative Assistant and the National Director of a project during 1997, had not yet been refunded by the Government. The office had documented its effort to recover the funds from the Government and this was acknowledged by the auditors.

Finance

21. Expenditure exceeded the approved allotment in 3 cases and the approval of the Representative was not documented for redeployments of funds made within budget groups in 6 reports out of 30. Also, in 6 reports, it was stated that UNFPA transactions were routinely certified by UNDP and 3 reports pointed out that an alternate certifying officer had not been designated. In addition, government voluntary contributions to projects had not been received in 6 cases and follow-up was lacking.

22. Country offices audited have acknowledged that redeployment of support budget funds should be approved in writing by the Representative. In response to the audit, the concerned country offices have updated their list of certifying officers and internal hierachies for certifying and approval.

23. Controls over petty cash funds were found to be inadequate in 12 cases out of 30. In 7 reports, records were incomplete and in 5 cases the offices did not have a safe.

24. In follow-up to the audits, country offices strengthened their controls over petty cash. For example, they immediately procured safes, designated petty cash custodians and maintained cashbooks. In some cases they reduced their reliance on petty cash.

Administration

25. In 4 audits out of 30, some contracts had not always been awarded to the lowest bidder and justification had not been provided. In 3 cases, controls over quotations were poor, and instances where quotations had not been obtained were noted in 7 audits. In addition, lack of segregation of duties concerning procurement activities was noted in 6 reports. Also, Receiving and Inspection reports had not been prepared in 9 cases. In 5 reports, purchase orders had not been prepared for procurement exceeding $1,500, as required by the guidelines at the time.

26. In many cases the observations referred to incomplete record keeping. After the audits, concerned offices started to cross-reference their files and to keep supporting information on record. They also indicated that whenever possible they would obtain three quotations for bids.

27. In 11 cases, offices were without an agreement to cover the services provided by UNDP, and in 4 cases offices lacked adequate space for their operations. It should be noted in this regard that negotiations on cost-sharing agreements with UNDP were initiated in 2001 and should be completed in 2002.

28. There was an absence of an annual physical inventory in 7 cases, and incomplete or erroneous inventory lists were identified in 12 audits. In addition, obsolete equipment had not been disposed of in a timely manner in 6 cases, and in another 6 audits the disposal of equipment was not adequately documented. In follow-up to the audits, country offices properly disposed of obsolete equipment and physical inventories were conducted. The inventory records were also updated.

29. Vehicle records were incomplete in 12 cases. Five audits found that offices did not adequately monitor their monthly fuel consumption, and controls over petrol coupons were lacking in 3 cases. Country offices accepted the audit observations and subsequently they have made special efforts to keep comprehensive vehicle records.

30. Two audits found that the selection of a travel agency did not follow a competitive process, and in 2 other cases travel services had been obtained from a company other than the one selected to provide the services. In 5 cases travel claims were submitted late, and in 3 cases the travel rebates had not been claimed or used by the office.

31. It should be pointed out that the audit observations mostly referred to exceptional circumstances in the given countries. The offices concerned agreed to use the selected travel agency. In addition, offices where weaknesses were identified made a commitment to monitor outstanding travel advances better and to process reimbursement forms faster.

32. In 10 cases inadequate controls over telephone usage, particularly with respect to personal long distance calls, were reported. Record maintenance was found to be poor in 8 audits, mostly with regard to missing documentation or misfiled documentation. Three audits out of 30 pointed out that the office space available for filing was inadequate, and 3 other audits noted that an annual review of files had not been carried out to retire non-current records.

33. After the audits, some country offices introduced more sophisticated telephone systems, which allow easy identification of non-official expenditures. In other cases, country offices formalized and streamlined their reimbursement procedures. Office space in the field is a continuing problem. The application of the country office typology should enable a more systematic approach to resolving the problem, although, in many situations, availability of adequate premises will continue to be a challenge.

Personnel

34. Common issues pertaining to the administration of service contracts and special service agreements that were noted in a number of offices included: (a) incomplete supporting documentation (6 cases out of 30); (b) selection did not follow a competitive process (6 cases out of 30); (c) performance was not assessed (10 cases out of 30); (d) commencement of services prior to securing the signature of the individual on the special service agreement (8 cases out of 30) or renewed retroactively (4 cases out of 30); (e) individuals were hired for a period over 11 months without a break in service (3 cases out of 30); and (f) service contracts had been used for services of less than 11 months (4 cases out of 30).

35. The performance appraisal review (PAR) process was late in 8 cases. Attendance and leave monitoring requirements were not always adhered to in 10 cases. Official status files were found to be incomplete in 10 instances. In 6 cases, the offices had not prepared a training plan. In another 6 audits, it was reported that there was a need for training staff in their respective area of responsibility.

36. Observations regarding the management of personnel contracts were noted by the concerned offices for future compliance. The country offices promised more timely compliance with individual performance plan (IPP) and PAR requirements.

Office automation

37. Fourteen audits identified that offices did not have a formal disaster and recovery plan. Requirements for a back-up copy of data and software to be kept off-premises were not complied with in 17 cases. In addition, information security was compromised in 7 cases as passwords were either shared by staff or not changed regularly.

38. In many cases the audit observations were related to the local area networks (LANs) for the UNFPA offices. The LANs enabled the offices to run the programme resources management system (WinPRMS) in a multi-user environment. Previously, UNFPA offices operated in a single-user environment and the security and disaster recovery plans were much easier to prepare. The MIS Branch is assisting the country offices in addressing the weaknesses identified in the audits. It should also be mentioned that UNFPA country offices do not have dedicated MIS personnel. EDP functions are usually performed by knowledgeable staff performing other functions or provided by UNDP on a cost-sharing basis. It should be noted that after the audits, disaster and recovery plans are being prepared and tested in the offices with identified weaknesses.

Management audit of interregional programme in the Technical Support Division

39. This was the first audit of the interregional programme in the Technical Support Division (TSD). The management of the programme for the period 1996 to 2001 was found to be seriously deficient because of the lack of application of internal control procedures. The areas that require improvement include:

(a) Updating guidelines covering the interregional programme in the programme manual; and providing guidelines for umbrella projects, as well as setting a maximum dollar amount for them;

(b) Ensuring that approved expenditure ceilings are not exceeded;

(c) Strengthening monitoring activities and ensuring that there is an effective monitoring mechanism in place;

(d) Ensuring that projects are covered by project documents and letters of understanding;

(e) Ensuring that programme funds are not used to finance staff and travel costs of the division;

(f) Ensuring that grants are covered by grant agreements and are fully accounted for;

(g) Strengthening adherence to procurement requirements for quotations and review by the Contracts Review Committee.

40. UNFPA senior management was very concerned with the extent and nature of shortcomings identified in this audit. Within the transition process, particular attention is being paid to internal control procedures and the establishment of structures and systems to assure

proper management and accountability in the administration of the interregional programme. For example, the development of the Programme Manual guidelines for the management of the intercountry programme has already begun, and interim guidelines on some aspects have already been issued; a mid-term review of the intercountry programme is in process, and is expected to be completed by the end of April 2002. New guidelines on grants and subcontracts were issued via a circular in December 2000, and these are being strictly adhered to. Also, where required, all newly approved projects have letters of understanding.

Follow-up mission

41. In 2001, UNFPA conducted an on-site review of the appropriateness of the measures taken by one country office to implement the audit recommendations. The country office, which was rated seriously deficient in 2000, was found to have made a good effort to strengthen its internal controls and to avoid similar weaknesses in the management of the newly approved country programme. However, the office needs to make a better effort to address the audit recommendations that pertained to implementation of the previous programme. OOE and the concerned division at headquarters will continue to monitor the performance of this office.

Follow-up and special studies

42. As follow-up to the issues raised by the United Nations Board of Auditors and internal audit reports, OOE undertook special studies in 2001. OOE also conducted a statistical analysis of audit trends, reviewed the management of UNFPA-executed projects at headquarters and the submission of project audit reports.

43. OOE regularly performs statistical analysis of internal and management audit reports. Audits issued in a calendar year are regarded as a statistical sample to measure the current year's compliance against historical data. Such an approach allows comparison of overall compliance in a given year with historical data. Changes in the overall compliance are tested for significance. While overall compliance had somewhat diminished in 2000, a recent study indicates that there was no deterioration of compliance in 2001. It should be noted that the overall level of compliance continues to be of concern.

44. The statistical analysis of the seriousness of audit observations further revealed that the share of high priority[1] observations notably decreased in all areas, except in the area of office automation, where the share increased to 52 per cent. In the other areas only about 25 per cent of the weaknesses were of high priority. In order to address weaknesses in the area of financial reporting and accounting, country offices now rely on more complex EDP systems for which data security and disaster and recovery plans are still to be fully implemented.

[1] Since 1999, internal auditors have classified their observations into high, medium or low priority.

45. Only 18 per cent of the audits issued in 2001 had significant shortcomings. Two thirds of the audits were less than satisfactory, a 12 point decrease from 2000. It should be noted that the share of seriously deficient and deficient audits decreased from 22 per cent to 18 per cent. Half of the audits were marginally deficient. It is worthwhile recalling that a marginally deficient rating requires that the majority of key controls were applied while the application of certain important controls was either lacking or lacked consistency or effectiveness.

46. Among the audits issued in 2001, 16 country offices were previously audited within five years. Eight offices received the same rating, 3 improved by one rating and 3 went down by one rating. One office went from good to marginally deficient and 1 improved from deficient to satisfactory.

47. Generally, country offices are committed to implement the audit recommendations. Such implementation is best monitored by new audits or on-site reviews. In very few cases, auditors' observations referred to single, non-recurrent events. Statistical analysis and monitoring by OOE of the implementation suggests that on a global level the improvement of some offices is offset by a deterioration of others. However, it should be recognized that to some extent the identification of weaknesses could be due to increased proficiency, over time, of the auditors. The audit environment undergoes substantial changes; for example, increasing use of computer systems and the results-based requirement for programme management made country office operations more complex. The difficulties in adjusting the operations to a new environment are ultimately reflected in a higher incidence of audit observations.

Project audits 1998-1999

48. OOE carefully monitored the submission of project audits for the 1998-1999 biennium. The Board of Auditors qualified its opinion on UNFPA Financial Statements because the proportion of national execution and NGO expenditure covered by audit reports decreased from 70 per cent in 1996-1997 to 50 per cent in 1998-1999, at the time the accounts were examined. As of October 2001, more than three-quarters of the NGO and government-executed project expenditures in the biennium had been substantiated by project audit reports. The audit coverage of government-executed projects was significantly higher than that of NGO-executed projects. There was also a wide variety in the quality of audits. Some project audits were of high quality and very detailed while others only included certified financial forms. About 30 per cent of the audits had a qualified audit opinion.

Review of projects managed by headquarters

49. This review was intended to complement the audits of TSD and the Information, Executive Board and Resource Mobilization Division (IERD). While these audits scrutinize the management of the interregional programme in general, this review specifically focused on the

internal controls for UNFPA-executed projects. In the last five years UNFPA headquarters executed $77 million through intercountry projects. It was noted that the concerned divisions had not established appropriate operational mechanisms and systems to manage and account for these transactions. As a result, OOE identified significant shortcomings in the internal controls. For example, progress reports were not regularly prepared, and justifications for budgetary revisions were often not on file. The study recommended that comprehensive operational guidelines for the management and implementation of UNFPA-executed projects be issued. These concerns will be taken into account in decisions on organizational structures and systems in the transition process.

IV. REVIEW OF AUDITS OF NATIONALLY EXECUTED PROJECTS

50. On 1 March 2001, the UNFPA Internal Audit Section assumed responsibility for monitoring and review of audits of projects executed by governments and NGOs. For 2001 the number of such projects was about 1,100. The process involved the maintenance of databases on audit plans, audit reports and evaluations, review of audit reports by consultants and staff followed by the preparation and issuance of evaluations. Regular follow-up with country offices and divisions was also performed.

51. The review of 503 audit reports for projects executed by governments and NGOs revealed the following:

(a) Audits of some projects were conducted late or not carried out (22 per cent); audit reports were received at headquarters late (94 per cent); 26 per cent of the audit reports had qualified opinions;

(b) Several audit reports did not cover the scope required by the Finance Manual and/or did not include recommendations and management comments; in several reports there was no evidence that internal controls had been reviewed as required by the Finance Manual, and 68 per cent of the reports were received incomplete; in addition, four reports stated that the implementation of audit recommendations had not been properly monitored by the offices;

(c) Some accounting records had not been maintained;

(d) In 63 per cent of the cases, there was a lack of controls in one or more of these areas: cash, inventory, vehicle and payments.

52. It should be highlighted that this was the first effort to review project audit reports. Country offices were unanimous in their appreciation of the feedback received from the Audit Section, which better equips them, together with project authorities, to address weaknesses

identified. The process had also impressed upon them the importance of planning timely project audits.

53. In February 2002, the Board of Auditors conducted a special audit of the nationally executed expenditures for the period ending 31 December 2000. The Board made a number of helpful observations that will strengthen the planning, monitoring and content of project audits, as well as the use of project audit reports as a performance assessment tool.

V. SPECIAL INVESTIGATION

54. A special audit and investigation of one country office revealed that: (a) there was widespread non-compliance with UNFPA guidelines on procurement, including petrol coupons, and the competitiveness, transparency and effectiveness of the procurement of goods and services was not ensured; (b) the relationship of a company owner with a staff member had not been disclosed to the current and previous Representatives; the staff member had also not disclosed her personal relationship to the owner of another company; and (c) a staff member had authorized purchase orders when she was in a conflict-of-interest position.

55. Following the audit/investigation the authority of the Representative for procurement was withdrawn except for local procurement of supplies up to a maximum of $1,500. All requests for procurement will be channelled through the concerned geographical division at headquarters.

VI. ANALYSIS OF MID-TERM REVIEWS

56. In 2001, the OOE reviewed its past analyses of mid-term reviews (MTRs) undertaken during the period 1995-2000 to take stock of the status of follow-up on the recommendations. The findings are summarized below. The UNFPA Executive Committee reviewed the status and instructed country offices to follow-up on needed actions.

MTR process

57. MTRs have frequently been conducted later than at the mid-point of a country programme. This is especially the case for shorter programmes (four years or less), because it is difficult to make a meaningful analysis only two years after the programme start-up. Also, since there are so many evaluative exercises, such as the country programme evaluation and the country population assessment, that need to take place during the second half of the programme cycle, there is a possibility of overlap and redundancy, although each one has its specific purpose. Given the short time frame in which these exercises occur, they place an enormous demand on country offices and national counterparts. In view of this, it was recommended that the MTR be made optional for a country programme of four years or less. In terms of stakeholder participation, it was noted that the involvement of nationals in MTRs has become a

common feature over the years, although such participants tended to be from the central level. Where the programme is decentralized, key stakeholders from regions and districts were encouraged to participate, if feasible.

58. These issues have been considered by the Fund's Inter-Divisional Working Group on the Programming Process Guidelines (IDWG-PPG) established in mid-2001. This working group has representation from country offices, Country Technical Services Teams (CSTs) and headquarters. The IDWG-PPG reviewed relevant documents and papers that have implications for the programme guidelines, including the MTR analyses and the Field Needs Assessment which took place within the context of the transition process. One of the purposes of the guideline revision is simplification. While the work of the group is currently in process, the emphasis will likely be placed on the need for periodic analytical reviews, rather than a one-time event, and the concept of MTR may be integrated into these periodic reviews.

MTR reports

59. MTR reports show that country offices had not yet moved fully from the project approach to the programme approach. The reports still tended to be project focused, and the analysis at the programme level had been weak. Overall programme relevance, strategies, performance and achievements as well as linkages and synergies within and between subprogrammes were not always addressed fully. While the logical framework (logframe) should form the basis for assessing progress in MTRs, in practice this proved to be difficult. In addition, preparing two reports (a country brief and the MTR report) had been time-consuming, and it was recommended that reporting requirements be simplified.

60. In April 2001 a set of new and revised formats for monitoring and reporting was issued to facilitate the incorporation of the results-based approach, in advance of the revision of the programme guidelines. Among them was a new format for the MTR report, combining the country brief and the MTR report into a single report. A separate section on the analysis of programme performance was established. Throughout 2000 and 2001, OOE promoted the use of the logframe for more systematic programme management, including monitoring, through programme management workshops for country office staff and CST specialists, organized by the Training Branch, as well as through the development of a programme manager's toolkit. The logframe for subprogrammes was revised to include information on the periodicity of and responsible parties for data collection to help operationalize use of the logframe approach in programme management.

Country programme design

61. The application of the logframe approach in programme design had been a gradual process. In some countries, the logframe was seen as an abstract, complex approach, especially

by national counterparts, while in other countries, it was seen as a useful tool for clarifying the analytical process. In both cases, however, similar problems were encountered. Expected results (goals, purposes and outputs) were not always identified based on the problem analysis and a cause-and-effect logic; the number and level of outputs did not always seem to relate to available resources; and indicators were not always realistic or appropriate to measure the changes expected. Subprogrammes were quite independent of each other with few linkages among them. It was recommended that UNFPA should make available prototype training modules that can be used/adapted by CSTs and country offices to train their own staff and national programme personnel, in the concept of results-based management and the use of the logframe approach in programme development and management.

62. The above-mentioned programme management workshops addressed exactly these problems by introducing the use of a problem tree, the concept of the chain of results and guidance for defining outputs and indicators. The Training Branch, together with OOE, posted training and resource materials used in the workshops on the intranet for wider access and use by CSTs and country offices. They are available in English and Spanish, and are being translated into French. Moreover, the review of programme outlines and draft country programmes by geographic divisions, CSTs and TSD provided an opportunity to ensure that expected results are clearly identified, that strategies are based on sound theories of change, and that lessons learned from the past are used. In 2000, OOE, together with TSD, initiated the development of a tool for defining output indicators.

Substantive programme areas

63. Many substantive issues had been raised during MTRs that required follow-up actions or considerations in technical guidelines or guidance notes. For instance, in introducing the reproductive health approach, programme inputs have expanded into a range of reproductive health components. As a result, programme effectiveness tended to be reduced, as not enough financial and human resources were invested in one area to produce impact. There is a need to select areas of programme focus, together with the government, to reflect the priorities and realities of the country, for a gradual shift to a broader reproductive health programme. In the area of gender, while awareness has been created, translating it into action has been limited. It was recommended that UNFPA provide guidance to country offices on how to articulate gender equality and operationalize gender mainstreaming, together with a practical tool to monitor and evaluate the approach. Advocacy, on the other hand, raised conceptual concerns, often sharing the outputs with reproductive health and population and development strategies (PDS) subprogrammes, yet implemented as separate activities. UNFPA needed to clarify whether advocacy remained a programme priority area or was to be treated as a strategy, thus not needing a separate subprogramme.

64. Attempts were made by TSD and the CSTs to address some of these concerns. The reproductive health theme group has developed a programme brief on operationalizing reproductive health, taking into account also the recommendations of the 1999 thematic evaluation on implementing the reproductive health vision. TSD also plans to develop guidance notes and tools on gender issues. Training of trainers in gender mainstreaming for CSTs was conducted. CSTs in turn are providing training to country offices and nationals. In many new programmes, advocacy has been integrated as a strategy into reproductive health and PDS subprogrammes.

National capacity-building

65. Many constraints identified in the MTRs are recurrent and related to national capacity. This led to a recommendation for UNFPA to revisit its approach to national capacity-building. A substantial amount of funds have been invested in training, yet their impact on programme performance or national capacity-building had not been assessed. It was recommended that UNFPA should develop a practical tool to monitor and evaluate the quality and impact of training, and that country offices should assess the impact of training and ensure that training actually leads to capacity-building. This subject being one of the key organizational strategies, OOE initiated a thematic evaluation of capacity development in reproductive health and population and development strategies areas. The evaluation will be completed in mid-2002. Capacity-building is also being reported in detail in the multi-year funding framework (MYFF) report this year. In this regard, the evaluation framework developed for the thematic evaluation was shared with the country offices for their potential use in the 2001 annual reporting.

Monitoring and evaluation

66. The MTRs found that monitoring and evaluation need to be strengthened. They were not well considered at the time of programme design; nor had the logframe been used adequately as a monitoring and evaluation tool. The analysis of MTRs was hampered by the lack of available data. It was recommended that UNFPA continuously strengthen the capacity of its staff and government counterparts to monitor and evaluate UNFPA programmes and projects, and that regular data collection should be factored into the programme management plan or, if needed, be included as part of project activities. In addition to the afore-mentioned programme management workshops and toolkit development, OOE is continuously feeding information to the UNFPA Evaluation Network (Evalnet) members (selected CST specialists) on methodologies and approaches, and connecting them to other outside networks of monitoring and evaluation. An internal seminar was organized in early 2002 for the Evalnet on evaluation methodologies as a step to develop evaluation capacities and to strengthen the culture of monitoring and evaluation within the organization. The seminar was found to be very useful.

Financial management

67. Financial analysis had been limited to implementation rates by subprogramme and executing agency, and there had been no attempt to relate costs to outputs produced. Financial data used were often outdated as well. Access to the most up-to-date, accurate data had been limited, due to hardware and systems problems. Access by country offices to a central data system is needed. It was recommended that UNFPA should develop guidance and tools on how to undertake better financial analysis of results. The MIS Branch has been working on improving connectivity, but hardware and software limitations remain. A new resource management system is being developed to allow access by country office to central data. In regard to financial analysis, the Strategic Planning and Coordination Division had been requested to explore how to link results to resources.

Roles and responsibilities

68. In view of the abolition of the Programme Review Committee at headquarters at the end of 2000, it was also recommended that the respective authority of UNFPA Representatives and Directors of Geographical Divisions be clearly established pertaining to the extension, expansion, or change in the distribution of programme funds, including co-financing funds. Also, as CST specialists are increasingly relied upon by the country offices in technical and substantive functions, the roles of the CST and the country offices/Representatives should be clearly defined in the new terms of reference being developed. It should be noted that subsequently the role of the CSTs was clearly defined in a document (DP/FPA/2002/3) on future arrangements for the UNFPA Technical Advisory Programme, presented to the Executive Board at the first regular session 2002. The Executive Board endorsed the proposed option for the Technical Advisory Programme.

Non-core resources

69. In contrast to declining regular resources for country programmes, co-financing resources have been increasing. Sometimes programmes funded from co-financing resources are very large and their relation to the country programme and its logframe is not clear, especially since the former may be initiated anytime during the country programme period. It was recommended that UNFPA should clarify how to deal with these ad hoc programmes vis-à-vis the country programme in programme planning, management and reporting, both programmatically and in relation to the workload of country offices. This issue is being considered in the revision of programme guidelines.

VII. POLICY APPLICATION REVIEW

70. In 2001, the OOE conducted a policy application review of one country programme in the Asia and the Pacific region and continued to follow-up on the implementation of recommendations of similar reviews conducted in previous years. The objective of these reviews is to ascertain that appropriate mechanisms to ensure accountability are in place and are being used by UNFPA in an increasingly decentralised work environment. They are conducted by senior staff who examine in depth the process of programme development and management, and the results achieved in a given case, taking due account of the roles played by concerned country office and headquarters staff as well as the CST. Apart from programme-related tasks, each review also examines the steps taken to achieve the UNFPA mission, particularly in promoting the implementation of the Programme of Action of the International Conference on Population and Development (ICPD), and the part the country office plays within the United Nations Resident Coordinator system. Another important result of these reviews is in the area of organizational development in that the relevance and ease of application of UNFPA policies and procedures are assessed as part of the terms of reference; moreover, the effort is made to identify areas where greater clarity in programme policy and technical guidance are needed.

71. The findings of policy application reviews provide senior management with information on how UNFPA is performing in selected countries; they also serve as a conduit for field staff to provide feedback on the nature and quality of support they require and receive from headquarters and from the CSTs. The Executive Director, in consultation with the Executive Committee, decides on the follow-up action needed in regard to each review. Responsible parties in the field or at headquarters, as appropriate, are designated and the concerned divisions are accountable for implementing follow-up action and reporting on the outcome of these efforts. The OOE monitors and reports on follow-up action at the global, organizational level.

72. The review conducted in 2001 was of a category "A" country in which UNFPA was supporting its second cycle of programme assistance. The country office concerned had actively supported the Government in implementing the ICPD Programme of Action through its support of programme activities and various other initiatives. The office had ensured that reproductive health was properly incorporated into health sector reform initiatives. It supported operationalisation of the national HIV/AIDS strategy and facilitated the prominent inclusion of population in the Second Economic Development Plan. It also promoted recognition of the link between gender, poverty and HIV/AIDS in the World Bank-led Poverty Reduction Strategy Paper. The review noted that the country office was regularly monitoring the consistency of laws and guidelines that impact on reproductive health, gender and population issues in order to advocate with or advise the Government.

73. The country office had been an active participant in United Nations country team initiatives, particularly in regard to the HIVAIDS theme group that the UNFPA Representative

had been chairing. The United Nations Common Country Assessment (CCA) and United Nations Development Assistance Framework (UNDAF) process was found to be very time-consuming and labour intensive. Due to the timing of the exercise in relation to the programme cycle of several agencies, there was a certain amount of retrofitting. UNFPA had also been an active contributor to the government's Consultative Group (a strategic planning and monitoring mechanism) especially its health and HIV/AIDS subgroups.

74. UNFPA, WHO and UNICEF collaborated closely and effectively in the Fund's country population assessment exercise and the subsequent reproductive health subprogramme and component-project formulation. They also collaborated in the implementation of the UNFPA-assisted birth spacing project, the major component of UNFPA support. The review also found much evidence of collaboration with other development partners such as German Technical Cooperation (GTZ), United States Agency for International Development (USAID), UNESCO and WFP in both substantive as well as operational terms. Overall, UNFPA was well regarded by partner organizations in the United Nations family, national counterparts and NGOs, and was recognized as a major resource in the area of reproductive health. While the Fund's official counterpart is the Ministry of Foreign Affairs and International Cooperation, UNFPA worked directly with the line Ministries of Health, Planning and Women's Affairs. UNFPA had been an active participant in the Coordinating Committee that coordinates donor and NGO activities in health. The Committee is chaired by the Ministry of Health. The country office's task of promoting a multisectoral and gender sensitive approach to reproductive health had been very challenging because of the fragmentation of related responsibilities among different structures within the government bureaucracy.

75. Resource mobilization efforts were constrained by the fact that few donors were represented in the country and the UNFPA Representative had not been able to pursue fund-raising outside the country due to pressing programme-development priorities. Nevertheless, the country office had been very active in brokering relationships between potential donors, the Government and NGOs in an effort to secure direct funding for the national population programme. Specific results in this regard included funding from one donor to replicate core elements of the Ministry of Health 100 per cent condom use strategy (2001-2003) and Japan International Cooperation Agency (JICA) funding of equipment and supplies for UNFPA-supported activities.

76. The review found that the MTR process was very well organized. It was Government driven, with support from UNFPA and CST advisers for all three programme sectors and included extensive consultations with all counterparts. Apart from deriving a better grasp on the population situation in the country and providing solid recommendations for the remainder of the first UNFPA-supported country programme, the MTR process was also used to retrofit the programme interventions into reproductive health, population and development strategies and advocacy subprogrammes and adjust some of the programme strategies.

77. Although the CCA was introduced as an instrument that could replace an individual agency's own assessment, it was felt that in the given case, the CCA did not cover in sufficient detail population-specific areas of concern. For this reason, the country office launched a country population assessment exercise. In addition, because of the deadlines for programme submission to the Executive Board, the country office had to initiate programme development while the UNDAF was still under preparation. As a result, the preparation of the two documents was done in parallel, one feeding into the other.

78. The Government and other programme partners found the programme-development process very participatory, and programme managers were consulted in identifying priorities for the future. Although all projects were evaluated at the end of the first programme cycle, only in one case were lessons learned highlighted. It was therefore not clear that the CPA process drew lessons from the previous programme in its situational analysis.

79. To facilitate the application of the logframe approach, the country office organized training for the project managers of the current programme. Although the training was found to be effective, inconsistencies in the terminology used by different agencies created confusion and additional workload. Unlike many other cases, Project Appraisal Committee meetings had been systematically organized in the country reviewed. Such meetings had proved to be very useful in terms of securing final consensus from stakeholders and providing a forum for donors and other United Nations agencies to exchange information and identify complementary programme activities. With the initiation of the current programme cycle, important initiatives were taken to improve monitoring systems to make them more results oriented. These included the identification of performance indicators, preparation of a programme management plan, and field visit checklists.

80. The country office had promoted South-South cooperation by funding the participation of national counterparts in conferences, meetings and training abroad. However, the limited English language capability of most participating nationals had been a serious constraint to their benefiting fully from such events. In addition, it was noted that there was no mechanism to keep country offices up to date on South-South opportunities.

81. In reviewing the findings of this policy application review, the Executive Committee took due account of the findings of previous policy application reviews on the same subjects. These provided important insights into the areas of UNFPA operations that require strengthening, as well as topics on which policy development or clarification is needed. As necessary, the various transition working groups and the IDWG-PPG were tasked to factor them into their proposals for decision by senior management. In addition, the preparation of the Fund's annual training plan also takes into account the needs for staff development identified through these reviews. For example, a major effort will be made in 2002 to strengthen the managerial skills of staff because

this had been highlighted consistently in policy application reviews as well as internal audits as an area that requires attention.

VIII. REPORTS OF THE JOINT INSPECTION UNIT

82. In 2001, UNFPA responded to numerous Joint Inspection Unit (JIU) requests for information as inputs to the preparation of reports and studies on a variety of topics, including among others: Results-based management; Host Country Agreements entered into by the organizations of the United Nations system; United Nations system revenue-producing activities: Income generation and cost recovery; Support costs on programmes and activities financed from extra-budgetary resources; Management Information Systems: lessons learnt from the experience of the United Nations system organizations; and Multilingualism in the United Nations system.

83. In addition, UNFPA commented on completed reports, including Enhancing Governance Oversight Role: Structure, Working Methods and Practices on Handling Oversight Reports (JIU/REP/2001/4); and a follow-up study on the implementation of the recommendations contained in two previous JIU reports on United Nations system support for science and technology (in Africa and in Asia and the Pacific). Furthermore, selected JIU reports received were circulated to concerned units within the Fund for their information and consideration.

84. The following is a summary of comments made by UNFPA on those recommendations contained in the above-mentioned reports.

Enhancing Governance Oversight Role: Structure, Working Methods and Practices on Handling Oversight Reports

85. The objective of the report was to contribute to enhancing the effectiveness and quality of the oversight role exercised primarily by the "executive" legislative organs (such as the Executive Board or Council) and their subsidiary bodies responsible for oversight issues.

86. While very aware of its accountability and the need for transparent reporting on its oversight activities, as a small organization UNFPA raised the concern that reporting mechanisms should remain streamlined. UNFPA informed the JIU that at present its system of providing one internal audit and oversight report and one report on external audit each year to the Executive Board meets the requirement for systematic, substantive and timely reporting on oversight matters. UNFPA questioned the practicality and efficiency of separating each oversight and audit item as proposed and taking them up under corresponding substantive issues. UNFPA also wondered as to the feasibility of adopting the suggested committee structure.

Follow-up study on the implementation of recommendations contained in previous JIU Reports on United Nations system support for science and technology

87. In responding to a JIU request for information on actions taken by UNFPA to implement recommendations contained in two previous JIU reports on United Nations system support for science and technology (in Africa and Asia and the Pacific), it was pointed out that, narrowly defined, science and technology were not central to the work of UNFPA. In a broader sense, however, UNFPA has been committed to the promotion of capacity and institution building and sustainability activities at the country as well as the regional and interregional levels. The opportunity was taken to share with the JIU examples that illustrate such cooperation in the Africa and Asia and the Pacific regions.

IX. RECOMMENDATION

88. The Executive Board may wish to:

(a) Take note of the present report;

(b) Express support for strengthening the internal audit and oversight capacity of UNFPA.

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